



October 8, 2014

Kevin M. Modany
Chairman of Board of Directors and CEO
ITT Technical Institute
13000 North Meridian Street
Carmel, IN 46232-1404

Certified Mail Return Receipt Requested
Domestic Return Receipt
7C12 1840 0000 0215 9044

RE: **Final Program Review Determination**
OPE ID: 00732900
PRON: 2014-4-05-28727

Dear Mr. Modany,

The U.S. Department of Education's (Department's) School Participation Team – Chicago/Denver issued a program review report on August 29, 2014 covering ITT Technical College (ITT) administration of programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV HEA programs) for the 2013-14 award year. This review was performed as a follow-up to an audit conducted by the Office of the Inspector General (ED-OIG/A07L0001) which contained comments regarding the administration of Title IV credit balances. The focus of this review was to assess ITT administration of the Title IV HEA programs with respect to the processing of Title IV credit balances.

A sample of 5 files was identified for review from the 2013-2014 award year. These files were selected based on a judgmental selection of higher aid awards and available credit balances. Appendix C lists the names and last four digits of the social security numbers of the students whose files were examined during the program review.

The School Participation Team – Chicago/Denver has reviewed ITT's Policy and Procedures regarding Title IV credit balance refunds. A copy of the program review report (Appendix A) and ITT's policy, "RELEASE OF NON-TITLE IV AND TITLE IV CREDIT BALANCES", dated September 29, 2014 (Appendix B) are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by ITT upon request. Additionally, this Final Program Review Determination (FPRD) related attachments and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

ITT's response has resolved all findings. The reviewer examined the institution's revised procedures regarding Title IV credit balances and found them to be in compliance with the Title IV Student Financial Aid program requirements. The revised procedure contains assurances that the appropriate corrective actions have been taken to resolve and prevent future occurrences of all findings. Therefore, ITT may consider the program review closed with no further action required.

Appendix C, Student Sample, contained personally identifiable information and was emailed to ITT as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) was sent in a separate email.

Program records relating to the period covered by this program review must be retained until the later of the resolution of the loan(s), claim(s) or expenditure(s) questioned in the program review [34 C.F.R. § 668.24(e)(3)(ii)] or the end of the retention period applicable to the record [34 C.F.R. § 668.24(e)(1) and (e)(2)].

If you have any questions please call Mary Murray at (312)730-1715

Sincerely,

(b)(6)

Douglas A. Parrott
Division Director

Enclosure: Program Review Report (with attachments)
ITT Policy and Procedure regarding Title IV Credit Balances
Student Sample Selection

cc: Mick J. Lindvay, National Director Student Financial Services
Byron T. Axlund, Vice President, Finance

Prepared for

ITT Technical Institute –
Indianapolis

Program: Information Technology

Report Date: 8/29/14

OPE ID: 00732900

PRCN: 70744-05-28717

Prepared by

U.S. Department of Education

Federal Student Aid

School Participation Division- Chicago-Denver

Program Review Report

August 29, 2014

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OPE ID 067329
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A. Institutional Information

ITT Technical Institute
9511 Angola Court
Indianapolis IN 46268-1119

Type: Proprietary

Highest Level of Offering: Masters Doctoral
Accrediting Agency: Accrediting Council for Independent Colleges and Schools

Current Student Enrollment: 5,597 (2012)

% of Students Receiving Title IV: 73% (2012)

Title IV Participation (PCNet)

2012-2013 Award Year

Federal Pell Grant (Pell)	\$ 239,096,557
William D. Ford Direct Loan Program (Direct Loan)	\$ 584,843,276
Federal Work-Study (FWS)	\$ 3,377,546
Federal Supplemental Educational Opportunity Grant (SEOG)	\$ 3,544,162

Default Rate FFEL/DL: 2010 29.2%
2009 22.5%

The Office of the Inspector General (OIG) conducted an audit at EIT Technical Institute (EIT). The focus of the audit was to determine EIT's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The audit consisted of, but was not limited to, an examination of EIT's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records. The audit report noted EIT's Administration of Title IV Credit Balances in the "Other Matters" section of the OIG report. (EIT-OIG A9710001)

The review consisted of an examination of FTF's policies and procedures concerning Title IV Credit Balance Authorizations and Title IV Credit Balance Refunds.

Disclaimer:

This report reflects portions of the "Other Matters" section in the OIG's report, FD-016-0971 (0001). These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination Report.

In the OIG report (D-OIG-A97L0001), two areas of noncompliance were noted in in the "Other Matters" section. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by HHS to bring operations of the financial and programs into compliance with the statutes and regulations.

Finding 1:

Citation: A school may not hold a credit balance to pay for future charges beyond the end of the award year or loan period, in the case of loans. If an institution holds excess student funds it must, notwithstanding any authorization obtained by the institution under C.F.R. § 668.165(b), pay any remaining balance on the loan funds by the end of loan period and any other title IV, HEA program funds by the end of the last payment of the year for which they were awarded 34 C.F.R. § 668.165(b)(5)(iii).

A school a school may not use Title IV Funds to satisfy prior award year charges for a total of not more than \$200 for

- (i) Tuition and fees, room or board; and
- (ii) If the institution obtains the student's or parents authorization under § 668.165(b), other charges incurred by the student at the institution. 34 C.F.R. § 668.164 (d)(7).

Noncompliance: FFT's authorization form was not in compliance with the regulations because it (1) stated that the school could retain a Title IV Credit balance for future charges and for prior academic years and (2) did not specify that the Title IV credit balance must be paid when it is liquidated.

Required Action: The institution should ensure it is in compliance with this finding by submitting a copy of its current authorization form, policies and procedures for paying and retaining Title Credit Balances.

In lieu of performing a file review for the entire population of FFT Title IV credit balances, the Department will conduct an off-site program review using a limited sample to verify that all credit balance authorization issues have been corrected. The results from this file review using the limited sample will be used to project liabilities for the entire population (i.e., the average liability for the recipients in the limited sample will be multiplied by the total population). This option is intended to reduce the burden on the institution of conducting a full file review.

A student sample containing personally identifiable information will be emailed to FFT as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.

Finding 2

Citation: Whenever an institution disburses title IV, HEA program funds by crediting a student's account and the total amount of all title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but

(1) No later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or

(2) No later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period. 34 C.F.R. §668.164(c).

If an institution obtains written authorization from a student or parent, as applicable, the institution may:

(i) Use the student's or parent's title IV, HE-A program funds to pay for charges described in C.F.R. §668.164(d)(2) that are included in that authorization; and

(ii) Except if prohibited by the Secretary under the reimbursement or cash monitoring payment method, hold on behalf of the student or parent any title IV, HE-A program, funds that would otherwise be paid directly to the student or parent under C.F.R. § 668.164(e). Under this provision, the institution may issue a stored-value card or other similar device that allows the student or parent to access those funds at his or her discretion to pay for educationally related expenses. 34 C.F.R. § 668.165(b)(1)(ii).

Noncompliance: ETI was holding Title IV credit balances longer than 14 days without a student's or parent's authorization. Unless a school has authorization from student or their parents to hold Title IV credit balances, it must pay a Title IV credit balance no later than 14 days after the balance occurred on or before the start of the first class of the payment period. In that case ETI must pay the credit balance no later than 14 days after the first day of class of the payment period.

ETI did not have authorization forms because their practices were to not hold Title IV credit balances. However, ETI did not always pay Title IV credit balances to students within 14 days.

Required Action: The institution should ensure it is in compliance with this finding by submitting a copy of its current policies and procedures for the handling of credit balances. If the institution has developed an authorization form and a policy which identifies how the institution intends to collect authorization forms going forward, a copy needs to be submitted.

In lieu of performing a file review for the entire population of ETI Title IV credit balances, the Department will conduct an off-site program review using a limited sample to verify that all credit balance issues have been corrected. The results from this file review using the limited sample will be used to project liabilities for the entire population (i.e., the average liability for the recipients in the limited sample will be multiplied by the total population). This option is intended to reduce the burden on the institution of conducting a full file review.

A student sample containing personally identifiable information will be emailed to ETI as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth).

- PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip (Version 9.0) and are encrypted with AES encryption. Zipped files using WinZip must be saved as Legacy compression (Zip 2.0 compatible).

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender)

PII data cannot be sent via fax.